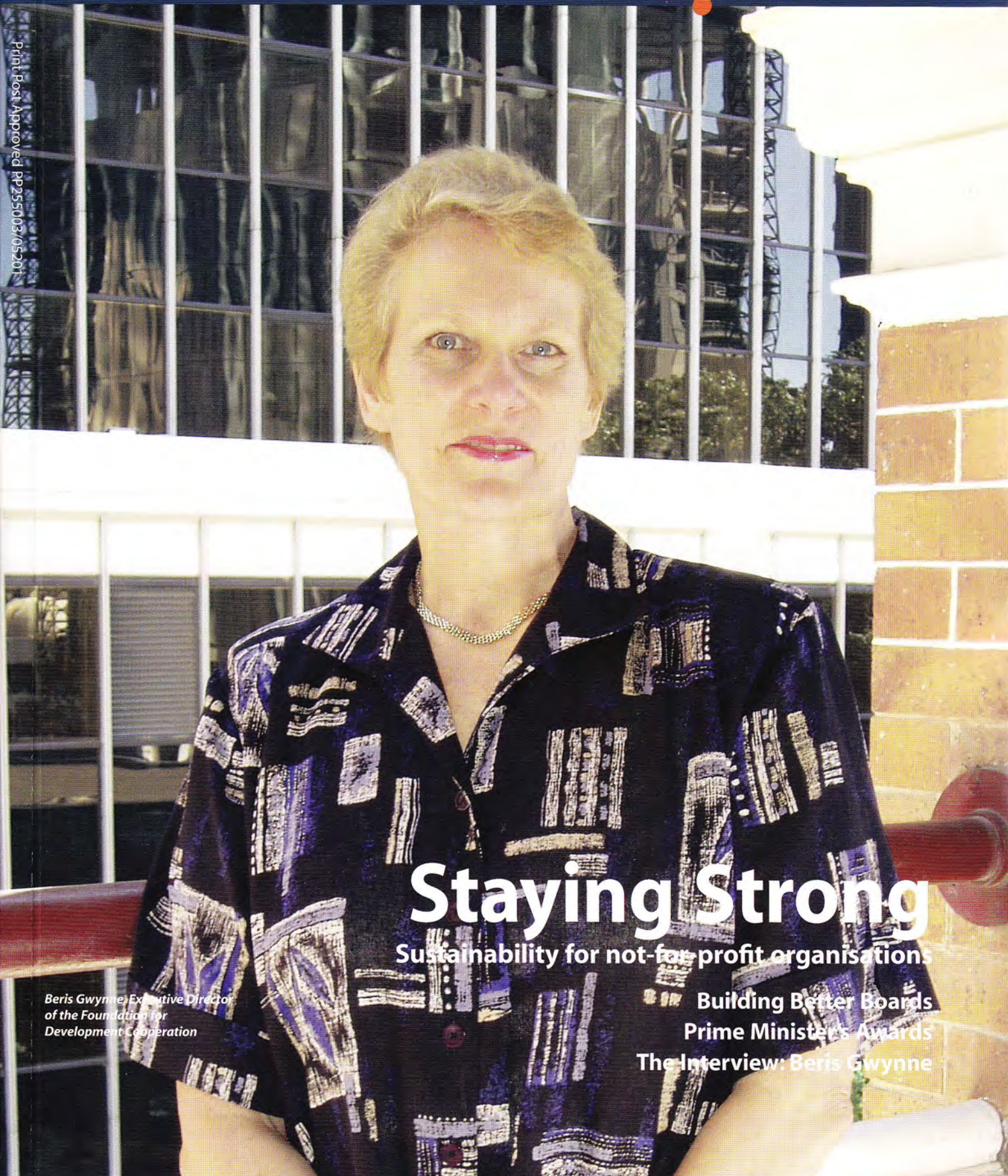


Association Management : am



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Staying Strong

Sustainability for not-for-profit organisations

*Beris Gwynne, Executive Director
of the Foundation for
Development Cooperation*

Building Better Boards
Prime Minister's Awards
The Interview: Beris Gwynne

Sustainability framework for developing a conscious board

by Steven Bowman



There has been an increasing emphasis in the past year on developing governance frameworks that will ensure sustainability of organisations. The background to this emphasis has been the public scrutiny arising from governance related debacles such as the corporate meltdown of companies that includes Enron,

Worldcom, Parmalat, HIH and OneTel, the tarnishing of the reputations of companies such as NRMA, Coles Myer and National Australia Bank, and the increased interest from regulators that has resulted in the Sarbanes-Oxley Act, the Australian Stock Exchange Corporate Governance Council Guidelines, and CLERP 9. Fortunately for Australia, the regulatory regime here is still one of guidance rather than prescription (unless, of course, we fail to take notice of the guidelines).

One of the major issues facing boards today is the tendency towards prescription and conformance with governance systems, rather than conscious governance that adds value to the organisation. A sophisticated and thorough compliance and governance system is only as useful as the people who are responsible for that governance. In other words, no amount of compliance or governance systems will compensate for board members who do not consciously govern!

The processes of governance and the systems that boards should put in place are well documented. It is now time to move on to the delivery of the insight, passion, enthusiasm, excitement and energy that should be the right of every board, and the contribution of every board member.

Sustainability Framework for a Conscious Board

We propose a sustainability framework for developing a conscious board that has four major components:

1. Invite conscious people on to the board,
2. Recognise and implement the role of the board,
3. Raise individual board members' consciousness levels,
4. Conduct board evaluations annually to review all the above.

1. Invite conscious people on to the board

There are a number of key attributes that should be sought from potential board members before they are approached for a board position, or before they are elected or appointed to the board. These key attributes have been identified as the signposts to demonstrable consciousness as an individual who would add value to the governance process, and should form an integral part of the nomination process for potential board members.

Attribute 1: The ability to ask probing questions

Look for evidence and examples that the potential board member understands and has used the three principle types of board questions in previous organisations:

Strategic (Why are we doing this, how expansive will this be for our organisation, and how does it fit within our vision and strategic plan);

Ethical (Are there any issues of rights, obligations, fairness or integrity in what we plan or do); and

Compliance (What does our constitution and relevant law require from us).

Attribute 2: The conscious seeking of truth

Look for evidence and examples that the potential board member is not easily influenced by others, is not dependant on a collegial atmosphere, and has sought independent verification of information provided to them.

Attribute 3: A willingness to accept intuition

Look for evidence and examples that they have used their intuition and knowing to assist in making a decision, rather than acting only on other people's information and assessments.

Attribute 4: An understanding of risks and consequences

Look for evidence and examples that risk analysis is an integrated component of the decision making process of the potential board member.

Attribute 5: Automatically considers multiple scenarios

Look for evidence and examples that multiple possible futures are considered, and that "what if.." is a common filter.

Attribute 6: Willingness to confront facts and mistakes

Look for evidence and examples that there is a willingness to confront facts, without taking a fixed point of view or filtering out the information that is uncomfortable, and the fortitude to identify and correct mistakes.

Attribute 7: Ownership of performance targets

Look for evidence and examples that there has been ownership of performance targets for the board and organisation, and evidence of actions taken to ensure those targets were reached.

Attribute 8: Custodian of the vision

Look for evidence and examples of the potential board member acting as custodian of the vision of the organisation, and utilising the key intents of the vision as a filter for decision making and resource allocation.

2. Recognise and implement the role of the board

One of the most important governance tools that a board should adopt is the creation of a Board Charter. The Board Charter delineates the key roles and responsibilities of the board. Some useful examples of these Board Charters, in different formats, are to be found at www.lifemastery.com.au/Resources_tools.htm and www.epilepsy.org.au/epilepsy/epilepsyteen.nsf/Content/OurBoard.

The Board Charter forms the backbone behind the board induction program and the annual board evaluation process for all board members.

A very useful tool for analysing the effective use of board time in the agreed areas of board responsibility, is the Board Role Time Allocation Checklist. This is usually completed by the CEO and Chair, with a “best guess” over a 12 month period.

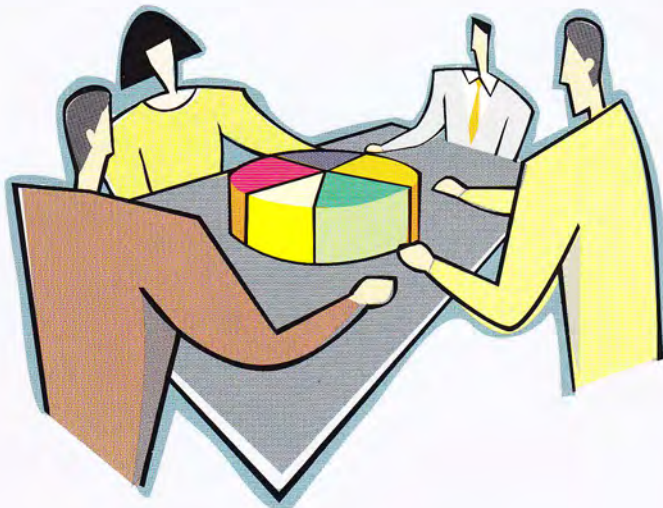
It is our experience that the following may provide a useful best practice guideline for time allocation:

- Legal/Compliance: around 5-8%
- Strategy and Policy: around 65-75%
- Accountability: around 5-10%
- Public Relations: around 5-10%
- Risk Management: around 10-15%
- Operational: around 10-15%

See www.lifemastery.com.au/Resources_tools.htm for more tools and discussion around these areas.

3. Raise individual board members' consciousness levels

The board is a collection of individuals, each with their



own skills and attributes. Being a conscious board member is not about forcefulness, but about energy and direction; it is not behaviour or policy, it is a focus and mindful awareness. A conscious board member has focus, clarity, coherence, synchronisation, intuitive insight and empathy and can earn trust and provide direction.

The Chair may choose to take a pivotal role in raising the consciousness levels of individual board members. Utilising the same key attributes described above, the Chair should individually ascertain if the board members show evidence of these attributes, and encourage and model these behaviours and awareness. If these behaviours and awareness are modelled (by the Chair, or in fact by any member of the board), then other board members will pick up on the energy generated by that individual, and entrainment will slowly but surely occur.

Entrainment is a phenomenon often seen throughout nature, where systems or organisms exhibiting periodic behaviour will fall into synchronisation, and oscillate at the same frequency and phase. In organisational terms, entrained teams are those that operate with a higher degree of synchronisation, efficiency and coherent communication. A conscious board member can energetically entrain other individuals. For further discussion of entrainment and consciousness in boards and organisations, see www.lifemastery.com.au/Consciousness_inbusiness.htm and www.lifemastery.com.au/Consciousness_emotional_freedom_FreezeFramer.htm.

The Chair should encourage and model the eight attributes described at the beginning of this article.

A further technique that is beginning to be adopted by some boards is the creation of a Lead Independent Director position on the board. This is someone who provides a source of leadership independent to the Chair and CEO, and acts as the conduit between the board, staff and consultants. The person best suited to this would be someone who has evidenced a high degree of conscious behaviour, and who is seen as fiercely independent.

Some boards are creating mentor positions within the board, with similar responsibilities to the Lead Independent Director but more emphasis on mentoring other board members.

Lead Independent Director Position Duty Statement

The chief executive officer is the senior executive of the organisation.

The CEO is responsible for:

- managing the day-to-day operations;
- recommending policy and strategic direction, for ultimate approval by the Board of Directors; and
- acting as the spokesperson of the organisation.

In contrast, the Lead Independent Director is responsible for coordinating the activities of the independent directors. In addition to the duties of all board members as set forth in the Company's Governance Guidelines, the specific responsibilities of the Lead Independent Director are as follows:

- advise the Chair as to an appropriate schedule of board meetings, seeking to ensure that the independent directors can perform their duties responsibly while not interfering with the flow of organisational operations;
- provide the Chair with input as to the preparation of the agendas for the board and committee meetings;

- advise the Chair as to the quality, quantity and timeliness of the flow of information from management that is necessary for the independent directors to effectively and responsibly perform their duties; although management is responsible for preparing materials for the board, the Lead Independent Director may specifically request the inclusion of certain material;
- recommend to the Chair the retention of consultants who report directly to the board;
- interview, along with the chair of the nominating committee, all board candidates, and make recommendations to the nominating committee and the board;
- assist the board and management in assuring compliance with and implementation of Governance Guidelines; principally responsible for recommending revisions to the Governance Guidelines;
- coordinate, develop the agenda for and moderate executive sessions of the board's independent directors; act as principal liaison between the independent directors and the Chair on sensitive issues;
- evaluate, along with the members of the full board, the CEO's performance; meet with the CEO to discuss the board's evaluation; and
- recommend to the Chair the membership of the various board Committees, as well as selection of the Committee chairs.

4. Conduct board evaluations annually to review all the above

To embed the Sustainability Framework for a Conscious Board, annual board evaluations need to be developed. These evaluations should be based on the Board Charter, in essence asking how well the board and its members individually understood, implemented and monitored the responsibilities as defined in the Board Charter. The overall aim of the board evaluation is to enable the board to review its effectiveness and to gain a better understanding of its role, responsibilities and operating procedures. This understanding, together with a framework for appraising board performance, can deliver substantial improvement in the achievement of organisational objectives.

There are four types of board evaluation processes that may be developed.

Group board evaluation is where the board asks the question "How well did we, as a board collectively, understand, implement and monitor the following?"

Individual board evaluation is where the board asks the question "How well did I, as a board member, understand, implement and monitor the following?"

Grouped individual board evaluation is where the board asks the question "How well did I, as a board member, understand, implement and monitor the following, and how well did the Chair, and board member 2, board member 3 etc understand, implement and monitor the following?"

Stakeholder evaluation is where outside non-board member stakeholders such as major suppliers, customers and/or funding agencies are asked the question "In my perception, how well did the board perform in the following areas?"

Each board evaluation should include the following steps:

- Agree to the purpose of the board evaluation
- Decide whether to do this in-house or utilise an independent expert
- Develop a Board Charter as a basis for the evaluation
- Agree on one of the four potential board evaluation models
- Agree on the evaluation questions and format
- Develop and distribute the evaluation survey
- Analyse the responses and provide a written report with recommendations
- Provide best practice examples to facilitate any changes the board may wish to instigate
- Develop a plan of action for agreed board performance enhancement

For further information on board evaluations, see www.lifemastery.com.au/Our_Approach_BoardDev1_Evaluation.htm.

Steve Bowman is one of Australia's leading not-for-profit executives, having previously held positions as National Executive Director of the Australasian Institute of Banking and Finance, Australian Society of Corporate Treasurers, General Manager of ExpoHire (Australia) Pty Ltd, Assistant Director of the Australian Society of CPAs, Director of the American College of Health Care Administrators, and Managing Director of Enterprise Care Not-for-Profit Services. He is a past President of AuSAE and has held numerous other Board/Committee of Management positions. He currently works with over 1,000 not-for-profits in Australia and New Zealand in Governance, Executive Leadership and Consciousness at work.

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